

**Overview and Initial Issues Identification
Office of Arts and Cultural Affairs**

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Expenditures/Revenues

	2009 Actuals	2010 Adopted Budget	2011 Proposed Budget	% Change 2010 to 2011	2012 Proposed Budget	% Change 2011 to 2012
Expenditures by BCL						
Arts Account	1,668,443	3,679,474	4,423,075	11.5%	4,501,437	2%
<i>Admin services</i>	0	462,515	342,609	-37%	348,962	2%
<i>Community Development and Outreach</i>	0	507,297	1,471,780	190%	1,495,373	1.5%
<i>Cultural partnerships</i>	1,668,443	2,709,663	2,608,686	-3%	2,657,102	2%
General Subfund	3,039,757	0	0	0	0	0
Municipal Arts Fund	1,760,153	2,754,882	2,693,359	-2%	2,788,342	3%
Total Expenditures	6,468,352	6,434,356	7,116,435	10.5%	7,289,779	2%
Total FTEs	23.10	23.10	20.60	-9%	20.60	0
Revenues						
General Subfund	3,039,757	0	0	0	0	0
Other Revenue Sources	3,428,595	6,434,356	7,116,435	10.5%	7,289,779	2%
Total Revenues	6,468,352	6,434,356	7,116,435	10.5%	7,289,779	2%

Introduction:

The chart shows an increase in 2011 and 2012 revenues from 2010. OACA derives a large portion of its revenue from its 75% portion of the City's Admission Tax. Admission Tax revenues are based on actual admission tax receipts for two years prior. Accordingly, the 2010 adopted budget was based on 75% of 2008 revenues, with the pattern reflected in 2011 and later years. 2012 revenues are an estimate for 2010. Additional onetime revenues for 2012 result from an audit that redirected additional funds to this account.

Municipal Arts Fund revenues, derived from One Percent for Art proceeds, show a slight decrease in 2011 expenditures. 2012 expenditures will be equivalent to 2010.

FTE reductions include abrogation of a 1.0 FTE Administrative Secretary and 1.0 FTE Administrative Specialist. A 1.0 FTE Events Booking Representative position, responsible for programs like the Seattle Presents concert series, would be reduced to .5 FTE.

Use of Admission Tax Revenue

The main issue raised by the proposed OACA budget is the use of admission tax revenue. Four items related to this issue are presented below.

Background

In November 2000, the Council adopted Ordinance 120183, directing 20% of the city's Admission Tax revenues to fund the Office of Arts and Cultural Affairs (OACA).

In November 2009, the Council adopted Ordinance 123155, which: 1) increased this share from 20% to 75%; and 2) removed OACA from general subfund support. The remaining portion of OACA's budget is derived from external grants and One Percent for Art proceeds. This ordinance also amended Seattle Municipal Code (SMC) 5.40.120 to establish a broad framework for OACA's use of Admission Tax revenues. The legislation included a recital stating that council intended that any revenues are to "provide a relatively stable, reliable and dedicated revenue stream to fund OACA's core programs".

The following chart compares OACA revenue and expenses for 2011 and 2012 with the 2010 budget. The chart assumes approval of the proposed Parks contract. Also shown are ending fund balances and unreserved balances. The fund balances are also stated as a percentage of expenditures, which is used to fund OACA's stated policy of retaining 10% of expenditures for use as carry over for later years.

	Admission Tax revenue and expenditures, in thousands		
	2010 Adopted	2011 Proposed	2012 Proposed
Admission Tax Revenues	\$3,761	\$4,186 (11% increase from 2010)	\$4,779 (36% increase from 2010)
Expenditures by BCL			
<i>Administrative Services</i>	\$462	\$343	\$349
<i>Cultural partnerships</i>	\$2,710	\$2,609	\$2,657
<i>Community Development and Outreach</i>	\$507	\$451	\$462
<i>Proposed Parks contract</i>	0	\$1,020	\$1,033
Total Expenditures	\$3,679	\$4,423	\$4,501
Ending fund balance (revenues less expenditures)	\$82	(\$237)	\$278
Unreserved funds from prior year	\$209	\$291	\$54
Unreserved fund balance	\$291	\$54	\$332
As a percentage of expenditures	7.5%	1.5%	7.5%

The proposed Parks contract refers to the Mayor's proposal to direct OACA funds to three Parks department programs. The following charts provide details of the proposal for 2011 and 2012.

Arts Program	2011 Expenses	2011 OACA funding	% of Total Budget
Downtown Parks programming	\$374,123	\$374,123	100.0%
Langston Hughes operations	\$505,597	\$504,612	99.8%
Outdoor Neighborhood Parks programming	\$141,657	\$141,657	100.0%
Total	\$1,021,377	\$1,020,392	99.9%

Arts Program	2011 Expenses	2011 OACA Funding	% of Total Budget
Downtown Parks programming	\$382,710	\$382,710	100%
Langston Hughes operations ¹	\$916,534	\$512,817	56%
Outdoor Neighborhood Parks programming	\$142,081	\$142,081	100%
Total	\$1,441,325	\$1,037,608	72%

Issues Related to Use of Admission Tax revenue:

1. Should Council act on the proposed Parks contract if the Seattle Arts Commission did not provide comment on it prior to the budget's introduction?

Seattle Municipal Code (SMC) 3.14.830 requires that the Arts Commission “review the preliminary proposed budget for the Office of Arts and Cultural Affairs as prepared by the Director of the Office of Arts and Cultural Affairs, and comment as appropriate before the budget is submitted to the Mayor”.

At OACA’s budget presentation, the Chair of the Arts Commission indicated that the Commission had not fully reviewed the proposal to direct OACA funds to the proposed Parks contract. While the Commission did have the opportunity to review a version of the budget before it was submitted to the Mayor, it was not the final version of the budget submitted to the Council.

Options:

1. Solicit the Arts Commission comments prior to the adoption of the 2011-2012 budget.
2. Take no action.

2. Should Councilmember’s allow unanticipated 2011 OACA Admission Tax revenues to be redirected from OACA to support non-OACA programs like those identified in the proposed 2011-2012 budget for Parks programming? If so, should this use of Admission Tax revenue also be authorized for 2012?

The use of admission tax revenues to replace general fund cuts for Parks art programs would provide some short-term stability to Parks. However, the funding of these programs also assumes the following cuts in existing OACA programs:

Cuts to OACA Funding	2011	2012
Administrative Staff reduction (2.0 FTE)	\$134,830	\$138,711
Reduce current 1.0 FTE to .5 FTE for program manager of Seattle Presents concert series, which would change from weekly to monthly, and OnHold, the local music programming for City calls.	\$75,870	\$77,236
Reduction in Core programming grants to arts organizations throughout the City	\$120,000	\$120,000
Reduced travel and training	\$6,600	\$6,600
Elimination of funding for the Seattle Convention and Visitor’s Bureau online events calendar, and funding of the Mayor’s Arts Award event at One Reel	\$39,000	\$39,000
TOTAL	\$376,300	\$381,547

¹ Langston Hughes 2012 budget increase is related to increase personnel costs, which occur when the facility is re-opened following its closure for capital facility upgrades

Options:

1. Approve the proposed contract for Parks funding in 2011 and 2012.
2. Approve the proposed contract for Parks funding in 2011 only.
3. Reduce the proposed Parks contract by the amount needed to restore some or all of the proposed OACA reductions.
4. Do not approve the use of funds by Parks, and restore OACA use of all of the 75% of the admissions tax revenue, as anticipated by the Council in Ordinance 123155.

3. Should Council specify the type of activities that Admission Tax revenues may fund?

Currently, the code section that authorizes the use of Arts Account funds, derived from 75% of the City's Admission Tax revenues, allows funding to be used for:

- Initiatives to keep artists living, working and creatively challenged in Seattle;
- Initiatives to build community through the arts and create opportunities for the public to intersect with artists and their work; and
- For each new generation, initiatives that include art opportunities for youth in and out of school.

The broadness of this code allowed the Mayor's proposal to redirect funds from OACA for other City's department's arts programming. However, the intent of the ordinance that set aside the percentage of funds was to "provide a relatively stable, reliable and dedicated revenue stream to fund *OACA's* core programs.

Options:

1. Clarify what types of activities may be funded, including direct funding to artists, program funding, one-time capital projects, etc.
2. Continue to provide flexibility by retaining the existing broad code language.

4. Should Council revise the Municipal Code to restore the use of general subfund revenues as a percentage of all OACA revenues?

Between 2000 and 2009, OACA received funding from both general subfund and Admission Tax revenues. As part of the 2010 budget review, the Council adopted Ordinance 123155, which removed OACA from general fund support in exchange for increasing OACA's use of Admission Tax revenues from 20% to 75%.

While the increases in Admission Tax funding may provide some temporary benefits, it also creates policy issues as highlighted throughout this paper. The fluctuations in Admission Tax revenues may make it challenging for OACA to implement their stated policy of retaining 10% of their expenditures as carry over for future years, in light of the Mayor's desire to fund other arts programming.

Options:

1. Revise the code to restore the previous mix of general fund (80%) and Admission Tax revenues (20%).
2. Adopt a SLI requesting that OACA and CBO bring a recommendation to Council on what the optimal mix of revenue sources would be for long-term fiscal stability.
3. Take no action.